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South Korea's Digital New Deal

South Korea aims to establish a foundation for competitiveness in the promising fields of the future: 5G, big data, and AI.



By [Troy Stangarone](#)

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Credit: [Pixabay](#)

As the world continues to recover from the COVID-19 induced economic recession, the Moon administration has proposed spending [76 trillion won \(\\$62 billion\)](#) over the next five years on the Korean New Deal to prepare the South Korean economy for the future.

The Korean New Deal is centered on two pillars – the [Green New Deal](#) and the Digital New Deal. While the Green New Deal is focused on transitioning South Korea to a net-zero emissions economy, the [Digital New Deal](#) would lay the foundations for a digital economy that will spur economic growth and innovation.

Information and communications technologies (ICT) are transforming the global economy. The new digital economy that is emerging is underpinned by technologies such as 5G, big data, and artificial intelligence (AI). IHS Markit estimates that by 2035 the 5G global value chain will be worth [\\$3.6 trillion](#) and support 22.3 million jobs. [AI](#) and [big data](#) are expected to have similar economic impacts.

South Korea is aiming to establish a foundation for competitiveness in these promising fields of the future. Overall, the Moon administration has proposed spending [2.7 trillion won](#) (\$2.2 billion) on the Digital New Deal in 2020, with additional funds to come in future annual budgets.

The development of a 5G infrastructure is critical to utilizing the vast amounts of data and harnessing the processing speed that are needed to realize the full potential of big data and AI.

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South Korea has been a leader in 5G. It was the first country to deploy 5G and leads the [world in coverage](#). LG Uplus used [Huawei's equipment](#) in its 5G network, but South Korea has largely been able to avoid dependence on the Chinese firm as it develops its network and instead use Samsung, which is one of the world's [leading 5G equipment makers](#).

Under the Digital New Deal, the South Korean government hopes to continue to build on its lead. In its proposed third supplementary budget, South Korea would spend 50 billion won (\$41 million) to build a 5G infrastructure and cloud computing for the government, as well as an additional 660 billion won (\$541 million) to promote the industrial convergence between 5G and AI.

While South Korea is at the forefront of 5G development, it trails in AI. South Korea's AI sector [lacks competitiveness](#) compared to countries such as the United States. It is also not among the [top countries](#) for AI researchers or training AI researchers. In terms of government preparedness to utilize AI, Oxford Insights only [ranks South Korea 26th](#) in the world.

The South Korean government in 2019 announced an [AI national strategy](#) to bolster the development of AI domestically. The strategy set the goal of becoming the world's third most competitive digital economy by 2030 and to close most of the competitiveness gap with the United States. South Korea's AI strategy also called for spending 1 trillion won (\$820 million) over 10 years to support the development of the [AI semiconductor industry](#).

In addition, South Korea plans to invest \$2 billion by 2022 in strengthening AI research

capabilities, including the development of six [AI graduate schools](#).

The private sector is playing a role as well. Earlier this year, the KT-led [AI One Team](#) was established to pool corporate and academic resources on AI technology and nurture talent, with KT itself hoping to train [1,500 AI specialists](#) by 2022.

The Digital New Deal is designed to complement these efforts by promoting industrial convergence with AI and the development of an [AI venture capital fund](#).

South Korea faces similar challenges in the area of big data. While South Korea is among the world leaders in the [production of new data](#), it is unable to efficiently use the data collected and only ranks 50th in the world in the [Coursera Global Skills Index](#) in the area of data science.

The Digital New Deal would address data usability by creating a [“data dam”](#) to collect data from public and private sources and then standardize the data so it can be analyzed. It would also utilize [560 billion won](#) (\$459.2 million) to establish [15 new big data platforms](#).

An additional aspect of the Digital New Deal is a commitment to expand digital [inclusiveness](#). It includes 110 billion won (\$90.2 million) to build high-speed internet in rural areas and increase WiFi in public facilities, as well as 750 billion won (\$615 million) to promote remote learning and working solutions.

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While most of the stimulus plans around the world have focused on helping firms survive the COVID-19 recession, the Korean New Deal is

designed to invest in the capacity of the South Korean economy over the long term. By the end of 2022, the South Korean government expects to invest [13.4 trillion won](#) (\$11 billion) in the Digital New Deal. In combination with the Green New Deal the investments are expected to create [550,000 new jobs](#), including 100,000 in the areas of AI and software programming, boosting employment and better preparing South Korea to compete in the digital economy of the future.

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